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ANNUAL REPORT 1972

STRAWBRIDGE & CLOTHIER BOARD OF DIRECTORS

Seated left to right: David W. Strawbridge, Robert E. Strawbridge, III,
Peter S. Strawbridge, James M. Gassaway, Frank R. Veale, G. Stockton Strawbridge,
Randall E. Copeland, Winthrop deV. Schwab, Francis R. Strawbridge, III

Strawbridge & Clothier

ANNUAL REPORT

FISCAL YEAR 1972 ENDED FEBRUARY 3, 1973

DEPARTMENT STORE DIVISION

Philadelphia	Springfield
Ardmore	Plymouth Meeting
Jenkintown	Neshaminy
Wilmington	Echelon
Cherry Hill	Exton

CLOVER DIVISION

Marlton	Blackwood
Cinnaminson	Morrisville
Center Square	Springfield
OPENS 1973	OPENS 1973

Board of Directors

G. Stockton Strawbridge, *Chairman*

Randall E. Copeland
Frank R. Veale
Winthrop deV. Schwab
James M. Gassaway
Francis R. Strawbridge, III
Peter S. Strawbridge
Robert E. Strawbridge, III
David W. Strawbridge

Honorary Directors

J. Clayton Strawbridge
Dwight G. Perkins
Robert E. Strawbridge, Jr.

Officers

G. Stockton Strawbridge . . *Chairman of the Board and Chief Executive Officer*
Randall E. Copeland . . . . . *President and General Manager*
Frank R. Veale . . . . . *Executive Vice President for Operations and Personnel*
Winthrop deV. Schwab . . . . . *Executive Vice President and Treasurer*
Francis R. Strawbridge, III . . . . . *Vice President and Secretary*
James M. Gassaway . . . . . *Vice President for Planning and Development*
George L. Cullen . . . . . *Vice President for Personnel*
Mark Fisher . . . . . *Vice President for Publicity*
Kenneth J. Brownell . . . . . *Vice President and General Merchandise Manager*
George L. Compton . . . . . *Vice President and General Merchandise Manager*
Richard H. Hall . . . . . *Vice President and Controller*
John J. Leahy . . . . . *Vice President and General Superintendent*
Morris S. Hanson . . . . . *Vice President for Research*
Peter S. Strawbridge . . . . *Vice President and General Manager Clover Division*

Transfer Agents

GIRARD TRUST BANK, Philadelphia, Pa. 19101
Transfer Agent *for the $5 Cumulative Preferred Stock*

THE PHILADELPHIA NATIONAL BANK, Philadelphia, Pa. 19101
Transfer Agent *for the Common Stock*

To our Shareholders

Sales and earnings of Strawbridge & Clothier for 1972 established new company records.

For the 53-week fiscal year of 1972, sales were $186,712,033, an increase of 14.1% over the 52-week 1971 sales of $163,606,041. In the Department Store Division, the Philadelphia Store and all branch units without exception contributed to this gratifying result, reflecting an improved economy throughout the area we serve. The Clover Division added substantially to the total corporate volume. The new Clover Store at Cinnaminson, opened in May, and the fourth Clover Store at Morrisville, opened in November, contributed new sales volume, while the Marlton and Blackwood Stores showed encouraging sales gains over comparable figures for 1971.

Net earnings were $6,441,025, an increase of 15.7% compared to $5,564,621 last year. These earnings represent $4.73 per share this year compared to $4.06 last year, both amounts calculated on the number of shares outstanding on February 3, 1973. The increase in 1972 earnings resulted from strong sales gains and careful control of operating expenses in the Department Store Division. The Clover Division, bearing heavy anticipated development and pre-opening costs in its second year of operations, as expected, is not yet contributing to corporate earnings.

The company's statement of consolidated financial condition on pages 10 and 11 indicates the strong base from which our development program moves forward. Stockholders' investment, or net worth, has increased to $72,845,068 from $68,517,039 last year and $53,463,271 five years ago. Long term debt has been utilized in the past four years to finance certain elements of company expansion and now stands at $25,437,931, a reasonable 25.9% of capitalization. No short term notes are outstanding.

On February 28, 1973, the Board of Directors declared a 5% stock dividend on common stock, payable April 12, 1973, to stockholders of record at the close of business on March 12, 1973. A 3% stock dividend was paid at this time last year.

During the past year the Strawbridge & Clothier Employees Retirement Benefit Plan was revised, restated and approved by the Board of Directors for adoption as a tax qualified funded pension plan. The Board also approved the establishment of a trust fund, with the Provident National Bank as trustee, for the investment and administration of contributions under the Plan.

Consistent with the company's objective of maintaining the most contemporary and attractive facilities at every location, extensive physical improvements and modernization programs continue as required in all of our stores. Of particular significance are major changes in several areas of the Philadelphia store. Our furniture, bedding and floor covering departments will be relocated, redesigned and redecorated to provide the finest and most beautiful presentation of fashion home furnishings in the city. In addition, the second floor of the west store is being renovated to accommodate an exciting and attractive new women's apparel section.

The long anticipated Market Street East urban renewal project is expected to move forward later this year with construction commencing on the new underground shopping mall that will extend from Seventh Street westward to Twelfth Street. This development will involve a reconstruction of the south face of our Budget Store accompanied by a total refixturing and modernization of this floor.

At the Jenkintown store, renovation and expansion of the home furnishings departments on the lower main floor have been completed. Remodeling and modernization of the entire fashion apparel floor of this store will begin shortly to be ready for the coming fall season.

Strawbridge & Clothier's traditional leadership in branch store development was further evidenced as it became the first Philadelphia department store to enter Chester County with the opening of its tenth store on March 15, 1973, at Exton Square—a unique split level enclosed shopping center of 106 stores encircling Strawbridge & Clothier.

We are actively engaged in exploring opportunities for further growth and development in the Department Store Division and hope to announce at an early date the location of our next regional shopping center.

As previously noted in this report, the Clover Division opened two stores in 1972, Cinnaminson and Morrisville. A fifth Clover Store at Center Square, Montgomery County, Pennsylvania, and a sixth in Springfield, Delaware County, Pennsylvania, are scheduled to open this fall.

DWIGHT G. PERKINS

J. CLAYTON STRAWBRIDGE

ROBERT E. STRAWBRIDGE, JR.

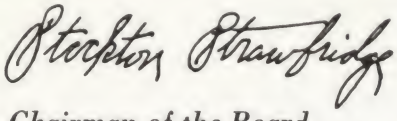
During the year the Board of Directors adopted a resolution limiting tenure on the Board to the age of 72. In accordance with this policy, the company's three senior Directors, Messrs. J. Clayton Strawbridge, Dwight G. Perkins and Robert E. Strawbridge, Jr., retired from the Board of Directors effective January 24, 1973.

It is impossible adequately to express on behalf of the Board the sense of appreciation and gratitude which the Directors feel for our three senior members, held by us all in such high esteem, respect and affection. Their contributions, individually and collectively, to the successful conduct of this business, to its health and growth over the years are countless. They have consistently provided sound judgment and wise counsel and have been a stabilizing yet stimulating influence in their relationship with their fellow Directors and members of management. All three have been named Honorary Directors.

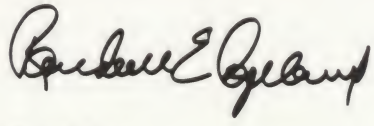
As the expansion of our company imposes increasing demands upon our organization, we are constantly alert to the importance of maintaining the high standards which have characterized Strawbridge & Clothier personnel over the years. The rewards of our painstaking care in the selection and training of our people are evidenced by the frequent compliments we receive from our customers on the friendliness, helpfulness, and courtesy of our Store Family. It is equally gratifying to be able to rely so successfully upon our Executive Development Program to provide a continuing supply of our own executive talent to meet the company's growing needs. Our practice of promotion from within has produced a high degree of motivation, security, and performance at all levels of management—and of this we feel justifiably proud.

As we close another year it is fitting that we express to all members of this great Store Family our appreciation for the contributions they have made to our business. Their efforts have helped to build for Strawbridge & Clothier an enviable reputation. Our people, indeed, are our company's most enduring and priceless asset—and our Board of Directors joins us in paying this tribute to them.

Respectfully



Chairman of the Board



President

April 26, 1973

Financial Highlights

	(53 Weeks) 1972	*(52 Weeks) 1971*
Net retail sales	$186,712,033	$163,606,041
Earnings before taxes and extraordinary items	13,333,025	11,895,734
Taxes on income	6,892,000	6,327,000
Earnings before extraordinary items	6,441,025	5,568,734
Extraordinary items	—	(4,113)
Net earnings	6,441,025	5,564,621
Earnings Per Share on Common Stock (calculated on number of shares outstanding at February 3, 1973)	4.73	4.06
Cash dividends on Preferred Stock	224,312	239,345
Cash dividends on Common Stock	1,575,474	1,529,580
Stock dividend on Common Stock	38,248 shs.	37,134 shs.
Net earnings retained for use in the business	4,641,239	3,795,696

	February 3, 1973	*January 29, 1972*
Current Assets	$ 68,871,342	$ 63,475,302
Current Liabilities	21,605,694	16,656,932
Ratio of Current Assets to Current Liabilities	3.19 to 1	3.81 to 1
Working Capital	47,265,648	46,818,370
Long-Term Indebtedness	25,437,931	26,061,293
Preferred Stock	4,358,800	4,694,900
Common Stock Equity	68,486,268	63,822,139
Book Value Per Share of Common Stock (calculated on number of shares outstanding at February 3, 1973)	52.15	48.60

Statement of changes in consolidated financial position

	Year Ended (53 Weeks) February 3, 1973	Year Ended (52 Weeks) January 29, 1972
Source of Funds		
Income before extraordinary items	$ 6,441,025	$ 5,568,734
Add expenses not requiring outlay of funds:		
Provision for depreciation and amortization	3,314,676	3,096,610
Provision for deferred income taxes, pensions, and self-insurance reserves	2,312,346	2,590,018
Total funds from operation, exclusive of extraordinary items	12,068,047	11,255,362
Extraordinary items	—	(4,113)
Total funds provided from operations	12,068,047	11,251,249
Long-terms borrowings	—	4,250,000
Decrease (increase) in other assets	1,114,405	(122,202)
	$13,182,452	$15,379,047
Application of Funds		
Cash dividends paid	1,799,786	1,768,924
Purchase of preferred stock	313,210	139,364
Acquisition of property, fixtures, and equipment	8,318,210	5,334,957
Increase in deferred charges	39,927	548,054
Reduction of long-term debt	623,362	1,413,041
Amounts charged against reserves	1,640,679	1,646,588
Increase in working capital	447,278	4,528,119
	$13,182,452	$15,379,047
Changes in Components of Working Capital		
Increase (decrease) in current assets:		
Cash	$ (912,216)	$ 146,363
Accounts receivable	448,012	4,659,768
Inventories	4,928,368	1,685,642
Prepaid expenses and other current assets	931,876	125,506
	5,396,040	6,617,279
Increase (decrease) in current liabilities:		
Accounts payable and accrued expenses	2,514,251	931,832
Federal, state and local taxes	1,613,568	339,646
Amounts withheld from employees	401,597	(88,716)
Deferred taxes on income	596,484	767,713
Current portion of long-term debt	(177,138)	138,685
	4,948,762	2,089,160
Increase in Working Capital	$ 447,278	$ 4,528,119

See notes to consolidated financial statements.

Statement of consolidated earnings

	Year Ended (53 Weeks) February 3, 1973	Year Ended (52 Weeks) January 29, 1972
Net retail sales, including leased department sales	$186,712,033	$163,606,041
Other income, net of other deductions	64,789	81,689
	186,776,822	163,687,730
Deduct:		
Cost of sales, including merchandise, alteration, occupancy and buying costs, exclusive of depreciation—Notes A and C	133,496,430	116,519,347
Selling, publicity, delivery and administrative expenses	33,029,949	28,664,913
Depreciation and amortization—Note A	3,314,676	3,096,610
Pension cost—Note H	1,437,350	1,213,565
Interest on long-term debt	1,987,070	2,136,259
Interest—other	178,322	161,302
	173,443,797	151,791,996
EARNINGS BEFORE INCOME TAXES AND EXTRAORDINARY ITEMS	13,333,025	11,895,734
Federal and state income taxes	6,892,000	6,327,000
EARNINGS BEFORE EXTRAORDINARY ITEMS	6,441,025	5,568,734
Extraordinary items, net of income tax benefit of $142,000:		
Gain on sale of stock of credit bureau	—	235,000
Loss from Wilmington Store flood damage	—	(239,113)
NET EARNINGS	$ 6,441,025	$ 5,564,621
Per share data applicable to common stock (based on common stock outstanding at February 3, 1973, after recognition of the dividend requirements on the $5 Cumulative Preferred Stock):		
Net earnings (extraordinary items in fiscal year 1971 have no effect on per share data)	$ 4.73	$ 4.06

See notes to consolidated financial statements.

Statement of consolidated financial condition

Assets

	February 3, 1973	*January 29, 1972*
CURRENT ASSETS		
Cash	$ 2,660,312	$ 3,572,528
Accounts receivable:		
Customers:		
Regular charge accounts	9,654,584	10,792,976
Deferred payment accounts	6,931,517	7,421,544
Flexible charge accounts—Notes A and B	18,135,300	15,901,456
Suppliers and sundry	1,043,985	1,101,398
	35,765,386	35,217,374
Allowance for loss	1,200,000	1,100,000
	34,565,386	34,117,374
Merchandise inventories—Notes A and C	26,447,388	21,519,020
Notes receivable due within one year	1,070,000	280,000
Prepaid expenses, supply inventories and sundry	1,537,889	1,486,380
Recoverable costs in connection with leased property—Note D	2,590,367	2,500,000
TOTAL CURRENT ASSETS	68,871,342	63,475,302
OTHER ASSETS		
Notes receivable, secured by mortgages—receivable after one year	1,042,263	2,112,263
Cash on deposit with trustee for redemption of $5 Cumulative Preferred Stock—Note E	191,144	191,144
Other accounts receivable and sundry	147,432	216,836
Sundry investments	166,100	141,101
	1,546,939	2,661,344
PROPERTY, FIXTURES AND EQUIPMENT—on the basis of cost		
Land	9,092,833	8,766,598
Buildings and improvements	43,395,882	38,489,717
Store fixtures, furniture and equipment	38,169,345	35,750,527
Allowance for depreciation (deduction)	(37,713,111)	(34,429,743)
	52,944,949	48,577,099
Construction in progress—Note J	2,083,498	1,447,814
	55,028,447	50,024,913
DEFERRED CHARGES	705,825	665,898
	$126,152,553	$116,827,457

Statement of consolidated financial condition

	February 3, 1973	*January 29, 1972*
Liabilities and stockholders' investment		
CURRENT LIABILITIES		
Accounts payable	$ 11,501,676	$ 8,885,941
Accrued accounts	1,638,767	1,740,251
Payroll taxes and amounts withheld from employees	672,149	270,552
Federal, state and local taxes	2,859,881	1,246,313
Deferred taxes on income—Note A	4,427,166	3,830,682
Long-term debt due within one year	506,055	683,193
TOTAL CURRENT LIABILITIES	21,605,694	16,656,932
LONG-TERM DEBT—due after one year—Note F	25,437,931	26,061,293
RESERVES		
Future income taxes—Note A	2,567,150	2,391,383
Pensions—Note H	3,466,098	3,035,918
Self-insurance claims and other reserves	230,612	164,892
	6,263,860	5,592,193
TOTAL LIABILITIES	53,307,485	48,310,418
STOCKHOLDERS' INVESTMENT		
Capital Stock:		
$5 Cumulative Preferred Stock, par value $100 per share, redeemable at $105 per share—at February 3, 1973, authorized 45,789 shares; outstanding 43,588 shares, after deducting 2,201 shares in treasury (outstanding at January 29, 1972, 46,949 shares)—Note E	4,358,800	4,694,900
Common Stock, par value $5 per share—authorized 1,500,000 shares; outstanding 1,313,211 shares (outstanding at January 29, 1972, 1,274,963 shares)—Note G	6,566,055	6,374,815
Capital in addition to par value of shares	21,745,130	20,383,560
Earnings retained for use in business—Note F	40,175,083	37,063,764
TOTAL STOCKHOLDERS' INVESTMENT	72,845,068	68,517,039
COMMITMENTS—Note J		
	$126,152,553	$116,827,457

See notes to consolidated financial statements.

Statement of stockholders' investment

	Year Ended (53 Weeks) February 3, 1973	Year Ended (52 Weeks) January 29, 1972
CAPITAL STOCK		
Preferred Stock:		
Balance at beginning of year	$ 4,694,900	$ 4,863,300
Less shares acquired for treasury during year	336,100	168,400
	4,358,800	4,694,900
Common Stock:		
Balance at beginning of year	6,374,815	6,189,145
Stock dividend	191,240	185,670
	6,566,055	6,374,815
CAPITAL IN ADDITION TO PAR VALUE OF SHARES		
Balance at beginning of year	20,383,560	19,240,504
Add excess of amount charged against earnings retained for use in the business over the par value of Common Stock issued as stock dividend	1,338,680	1,114,020
	21,722,240	20,354,524
Add discount on acquisition of $5 Cumulative Preferred Stock	22,890	29,036
	21,745,130	20,383,560
EARNING RETAINED FOR USE IN THE BUSINESS		
Balance at beginning of year	37,063,764	34,567,758
Add net earnings for the year	6,441,025	5,564,621
	43,504,789	40,132,379
Deduct:		
Cash dividends on Preferred Stock—$5 per share	224,312	239,345
Cash dividends declared on Common Stock—$1.20 per share	1,575,474	1,529,580
Stock dividends declared February 23, 1972, and February 24, 1971—three shares for each 100 shares outstanding:		
Paid April 6, 1972, and April 8, 1971, 38,248 shares and 37,134 shares on the basis of $40 and $35, respectively, per share	1,529,920	1,299,690
	3,329,706	3,068,615
Earnings Retained for Use in the Business	40,175,083	37,063,764
TOTAL STOCKHOLDERS' INVESTMENT	$72,845,068	$68,517,039

See notes to consolidated financial statements.

Notes to financial statements

FEBRUARY 3, 1973, AND JANUARY 29, 1972

NOTE A—Summary of Accounting Policies

Principles of Consolidation: The consolidated financial statements include the accounts of the Company and its wholly-owned real estate subsidiaries. All intercompany transactions have been eliminated.

Inventories: Inventories of merchandise on hand and in transit are priced at cost on the last-in, first-out method, determined under principles and by the use of published indices of price changes approved by the Commissioner of Internal Revenue with respect to retail stores generally.

Income Taxes: The Company reports certain amounts of expense and income in different periods for tax purposes than those for financial reporting. The applicable provision for deferred taxes is reported in the financial statements. The Company uses the flow-through method for accounting for the investment tax credit.

Store Pre-opening Costs: Costs prior to the opening of stores are charged to expense in the year incurred.

Property, Fixtures, and Equipment: Property, fixtures, and equipment are recorded at cost. The applicable cost is being depreciated by the straight-line method over the estimated useful lives of the assets. Estimated useful lives are: Building and improvements 20 to 60 years, and store furniture, fixtures, and equipment 4 to 20 years. The cost of leasehold improvements is being amortized over the terms of the respective leases. Expenditures in the nature of normal repairs and maintenance are charged to expense as incurred.

Installment Sales: Income on deferred payment and flexible charge sales is recognized for financial purposes in the year made. Deferred taxes on installment sales gross profit are included in current liabilities. Finance charges relating to such sales are applied as a reduction to administrative expenses.

NOTE B—Flexible Charge Accounts

The flexible charge accounts receivable include Company's equity in accounts sold without recourse to bank—$77,265 and $61,042 in accounts aggregating $772,651 and $610,421 sold at February 3, 1973, and January 29, 1972, respectively.

NOTE C—Inventories

If the first-in, first-out (FIFO) method of inventory accounting had been used by the Company, inventories would have been $5,700,000 and $5,400,000 higher than reported at February 3, 1973, and January 29, 1972, respectively. Amounts for opening and closing inventories determined on the LIFO basis and used in the computation of cost of goods sold for the two years ending February 3, 1973, were: January 30, 1971—$19,833,378; January 29, 1972—$21,519,020; and February 3, 1973—$26,447,388.

NOTE D—Recoverable Costs

Under an indenture of lease, the Company has incurred certain costs in connection with the construction and equipment of a new store, for which it will be reimbursed by the lessor in 1973. The estimated annual rental relating to this store has been included in the total lease commitment set forth in Note J.

NOTE E—Sinking Fund

Sinking fund provisions of the $5 Cumulative Preferred Stock require that on April 1st of each year the Company shall redeem shares of such class of stock in an amount of par value equal to two percent of the greatest amount at any time outstanding after February 1, 1948, and prior to the date of such redemption. In compliance with such provisions, 1,992 and 2,482 shares of the $5 Cumulative Preferred Stock were redeemed on April 1st of each year and retired September 25, 1972 and December 6, 1971, respectively. Dividends on the $5 Cumulative Preferred Stock have been paid to January 1, 1973, a dividend date.

NOTE F—Long-Term Debt—due after one year

Term and mortgage notes with interest at 3¾% to 9⅞% payable to banks, institutional investors and others are as follows:

	February 3, 1973	*January 29, 1972*
Term notes maturing $350,000 per year through 1979; $500,000 in 1980, $150,000 per year through 1983; $170,000 in 1984	$ 3,220,000	$ 3,475,000
Term notes maturing $562,500 per year through 1989; $1,000,000 in 1990	10,000,000	10,000,000
Mortgage notes payable at $1,028,264 annually, including principal and interest, maturing from twenty-two to twenty-eight years	12,217,931	12,586,293
	$25,437,931	$26,061,293

The covenants of the most restrictive of these loan agreements provide, among other things, that while the loan remains unpaid the Company will maintain minimum working capital of $12,500,000 and that the aggregate after January 31, 1970, of payments of dividends (other than dividends payable in capital stock of the Company and cash dividends on preferred stock) and purchases of Common Stock will not exceed the sum of $4,000,000 plus the amount of earnings accumulated after January 31, 1970. The amount of earnings retained for use in the business and unrestricted by these provisions was $16,493,912 at February 3, 1973.

NOTE G—Stock Dividend

On February 28, 1973, the Board of Directors declared a 5% stock dividend on Common Stock. The dividend shares, not exceeding 65,660 in the aggregate, are payable April 12, 1973, to holders of record at the close of business March 12, 1973. In connection with this dividend, the Board of Directors authorized transfers from Earnings Retained for Use in the Business to (a) Capital Stock, the sum of $5 (par value) for each dividend share, and (b) to Capital in Addition to Par Value of Shares, the sum of $36 for each dividend share.

NOTE H—Pension Plans

Through December 31, 1972, the Company had a noncontributory Retirement Benefit Plan providing for payment of pension benefits under specified conditions to eligible employees who retire with fifteen years of credited service. The Company has been making charges for the pension costs accrued under this Plan. Effective January 1, 1973, this Plan was revised and restated to be known as the Strawbridge & Clothier Employees Retirement Benefit Plan and by action of the Board of Directors it was approved for adoption as a funded trusteed pension plan. Subject to revisions based on actuarial studies, the Company estimates that the annual cost of the revised Plan for 1973 will be approximately $1,700,000.

In addition, the Company has entered into employment contracts with certain key executives under a Deferred Compensation Plan which provides for payment of specified benefits upon disability, death and retirement. Since the adoption of the Plan, the Company has made an annual charge to expense in an amount considered adequate to cover the ultimate cost of such benefits.

The total expense under these Plans for the years ended February 3, 1973, and January 29, 1972, was $1,437,350 and $1,213,565, respectively, which included amortization of past service costs of the Retirement Benefit Plan over forty years. At January 1, 1972, the latest valuation date, the actuarially com-

puted value of pension benefits, which were not funded and which were expected to become payable to former employees who have retired and to present employees who are expected to receive pension benefits upon retirement, exceeded the balance sheet accruals by approximately $5,900,000 at January 29, 1972.

NOTE I—Taxes on Income

Provision for taxes on income, including deferred taxes of $815,000 in 1972 and $1,302,000 in 1971, includes:

	Year Ended	
	February 3, 1973	*January 29, 1972*
Federal	$ 5,700,000	$ 5,327,000
State	1,192,000	1,000,000
	$ 6,892,000	$ 6,327,000

The provision for federal income taxes has been reduced by investment tax credits aggregating $180,000 in 1972 and $37,000 in 1971, respectively.

NOTE J—Commitments

At February 3, 1973, the Company was lessee under major leases with terms, if renewal options are exercised, of not less than twenty years from the above date in each case. The annual minimum rentals for the next five years under these leases is $3,166,849 plus, in certain instances, real estate taxes, insurance and similar charges, and increased amounts based on percentages of sales.

The Company was committed to complete construction in progress which at February 3, 1973, approximated $2,100,000.

Accountants' Report

To The Shareholders of
Strawbridge & Clothier

We have examined the consolidated financial statements of Strawbridge & Clothier and subsidiaries for the fiscal years ended February 3, 1973, and January 29, 1972. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying statements of financial condition and related statements of earnings, stockholders' investment and changes in financial position present fairly the consolidated financial position of Strawbridge & Clothier and subsidiaries at February 3, 1973, and January 29, 1972, the consolidated results of their operations, changes in stockholders' investment and changes in financial position for the fiscal years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Ernst & Ernst

Philadelphia, Pa.
March 24, 1973

Strawbridge & Clothier stores are
conveniently located throughout the Delaware Valley

✪ Philadelphia store and parking garage
■ Branch stores
△ Distribution center
✤ Clover stores

Strawbridge & Clothier introduced covered mall shopping to the Delaware Valley in 1961 with the opening of Cherry Hill. Pictured at the left is the grand court in front of our Plymouth Meeting Store. The unique architectural beauty of this sculptured setting is characteristic of the quality effort which distinquishes all ten Strawbridge & Clothier department stores.

Clover, the mass merchandising division of Strawbridge & Clothier, has four stores operating and two more to open this fall. Clover offers quick, convenient, self-service shopping in a pleasant atmosphere. The extensive selection of department store-quality merchandise at discount prices, plus the addition of automobile accessory centers and food markets, has made our Clover stores the source of delightful shopping discoveries for our customers.